

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

WITH INDEPENDENT AUDITORS' REPORT

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

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O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Education of the
Chappaqua Central School District, New York:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chappaqua Central School District, New York ("School District") as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School District as of June 30, 2011 and the respective changes in financial position, thereof, and the respective budgetary comparison for the General and Special Aid funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Funding Progress – Other Post Employment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP

Harrison, New York

August 5, 2011

**Chappaqua Central School District, New York
Management's Discussion and Analysis (MD&A)
June 30, 2011**

Introduction

This discussion and analysis of the Chappaqua Central School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. It should be read in conjunction with the basic financial statements which immediately follow this section.

Financial Highlights

Key financial highlights for fiscal year 2010-11 are as follows:

- New York State Law limits the amount of unassigned (formerly known as unreserved) fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. At the end of the current fiscal year the unassigned fund balance of the General Fund is \$4,446,795. The unassigned fund balance of the General Fund is 3.99% of the 2011-12 budget which falls within the 4% statutory limit. This amount is available for spending at the discretion of the School District.
- The School District's governmental funds financial statement reports a combined ending fund balance of \$20,787,452, an increase of \$344,304 from the prior year. Fund balance for the General Fund increased by \$763,476, from \$19,320,709 to \$20,084,185. However, \$2,204,180 of the fund balance from the General Fund has been appropriated for the subsequent year's budget to reduce tax levy increase. In addition, \$367,428 from the Debt Service Fund has been designated as a transfer to the General Fund. Similarly \$1,664,526 of the Retirement Contributions Reserve Fund (Restricted Fund Balance) has been earmarked as a transfer to appropriated fund balance, and \$13,894 from the Capital Projects Reserve Fund (Restricted Fund Balance) has been earmarked as a transfer to the General Fund in 2011-12 to reduce tax levy.
- On the district-wide financial statements, the assets of the School District exceeded liabilities at the close of the fiscal year by \$68,512,884 (Net Assets). The School District's total net assets decreased by \$644,944 for the year ended June 30, 2011. This is due to a requirement to record "other post employment benefit obligations" (GASB 45) as a liability in the amount of \$9,059,096 which represents an increase of \$1,914,924. We will see similar decreases from now on until the full valuation of the "other post employment benefit obligations" is fully amortized (we are at year 3 of a 30 year amortization period).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) District-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains individual fund statements and schedules in addition to the basic financial statements.

District-Wide Financial Statements

- The *District-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.
- The *statement of net assets* presents information on all of the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.
- The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- The *governmental* activities of the School District include instruction, pupil transportation, community services, cost of food sales, other interest, and general administrative support.

The District-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.
- Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental*

funds with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

- The School District maintains six individual governmental funds; General Fund, Capital Projects Fund, Special Aid Fund, School Lunch Fund, Special Purpose Fund and Debt Service Fund. For this reporting purpose, School Lunch Fund, Special Purpose Fund and Debt Service Fund are combined into "Other Governmental Funds" Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each fund, since the School District has elected to report them as major funds.
- The School District adopts an annual budget for its General Fund. Budgets are developed for the Special Aid Fund, and Debt Service Fund. A budgetary comparison statement has been provided for the General Fund and the Special Aid Fund within the basic financial statements to demonstrate compliance with the respective budgets.
- *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity: assets held by the School District on behalf of others. Fiduciary funds are not reflected in the District-wide financial statement because the resources of these funds are *not* available to support the School District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements section of this report.

Chappaqua Central School District completed its valuation of costs for post employment benefits valuation in accordance with Government Accounting Standards Board (GASB) No. 43 & 45 for the fiscal year July 1, 2010 to June 30, 2011 based on the input of qualified actuaries. The opinion formed by such actuaries and the underlying actuarial methods, considerations, and analyses conform to the appropriate Standards of Practice and Guidelines of the Actuarial Standards Board . We believe that the assumptions used for the valuation and the reporting of results are consistent with assumptions, benefits and provisions for similar school districts in the county of Westchester, the state of New York and nationally. The actuarial report also includes results under various scenarios based on different assumptions for key factors such as healthcare cost inflation, future retirees contribution rates and discount rates, which by their nature are estimates and subject to change. A change in one or more of these factors could have a significant effect on the valuation of the unfunded accrued liability and the difference could be material.

For the full GASB 45 report, please visit District website at:
http://www.chappaqua.k12.ny.us/files/filesystem/GASB4345_20100701-20110630.pdf

District-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the School District's financial position. In the case of the Chappaqua Central School District, assets exceeded liabilities by \$68,512,884 at the close of the current fiscal year.

Net Assets

	<u>2010-11</u>	<u>2009-10</u>
Current Assets	\$ 27,551,819	\$ 25,306,568
Capital Assets, net	<u>107,293,995</u>	<u>109,868,116</u>
 Total Assets	 <u>134,845,814</u>	 <u>135,174,684</u>
 Current Liabilities	 7,264,369	 5,662,354
Long-term Liabilities	<u>59,068,561</u>	<u>60,354,502</u>
 Total Liabilities	 <u>66,332,930</u>	 <u>66,016,856</u>
 Net Assets:		
Invested in Capital Assets, Net of Related Debt	61,186,921	60,311,865
Restricted for:		
Capital Projects	25,610	237,195
Debt Service	367,428	599,008
Tax Certiorari	3,328,170	3,327,083
Unemployment Benefits	150,518	150,469
Property Loss	59,046	59,027
Insurance	210,150	210,081
Liability Claims	218,450	218,379
Repairs	137,001	136,860
Retirement Contributions	4,073,312	2,796,706
Special Purpose	44,211	45,562
School Lunch	266,018	240,674
Unrestricted	<u>(1,553,951)</u>	<u>824,919</u>
 Total Net Assets	 <u>\$ 68,512,884</u>	 <u>\$ 69,157,828</u>

By far, the largest component of the School District's net assets (89.3%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although

the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Those assets subject to external restrictions constitute \$8,879,914 of net assets, which include restriction for retirement contributions of \$4,073,312 and tax certiorari of \$3,328,170. Unrestricted assets is a negative \$1,553,951. Restricted and unrestricted assets combined represents 10.7% of the net assets.

Changes in Net Assets

	<u>2010-11</u>	<u>2009-10</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,546,421	\$ 2,389,446
Operating Grants and Contributions	3,221,396	2,625,377
Capital Grants and Contributions	<u>781</u>	<u>1,093</u>
Total Program Revenues	<u>5,768,598</u>	<u>5,015,916</u>
General Revenues:		
Real Property Taxes	90,386,852	88,993,755
Other Tax Items	7,667,463	6,916,726
Non-Property Taxes	764,290	715,141
Unrestricted Use of Money and Property	198,693	323,595
Unrestricted State Aid	5,794,964	5,997,902
Unrestricted Federal Aid	419,018	1,011,832
Miscellaneous	<u>651,206</u>	<u>535,156</u>
Total General Revenues	<u>105,882,486</u>	<u>104,494,107</u>
Total Revenues	<u>111,651,084</u>	<u>109,510,023</u>
Program Expenses:		
General Support	15,287,966	15,974,078
Instruction	87,577,367	84,714,261
Pupil Transportation	5,876,282	5,860,560
Community Services	18,977	17,850
Cost of Food Sales	1,910,000	1,902,517
Other	2,837	2,809
Interest	<u>1,622,599</u>	<u>2,505,410</u>
Total Expenses	<u>112,296,028</u>	<u>110,977,485</u>
Change in Net Assets	(644,944)	(1,467,462)
Net Assets - Beginning	<u>69,157,828</u>	<u>69,593,599</u>
Prior Period Adjustment	-	1,031,691
Net Assets - Beginning, as Restated	<u>69,157,828</u>	<u>70,625,290</u>
Net Assets - Ending	<u>\$ 68,512,884</u>	<u>\$ 69,157,828</u>

District's net assets decreased by \$644,944 which represents approximately 0.95% of the total net assets. The District saw a decrease of capital assets in the amount of \$2,574,121 due to depreciation of assets far exceeded the capital acquisitions. Thus, the District

maintains a similar financial condition to the previous year. As presented on the following graphs, the School District relies upon real property taxes and other tax items (STAR) as its primary revenue sources.

The major changes from 2009-10 to 2010-11 are as follow:

Revenues:

The School District's total program revenues increased by \$752,682, general revenues increased by \$1,388,379, and therefore, the total revenues increased by \$2,141,061. The primary elements of this increase were:

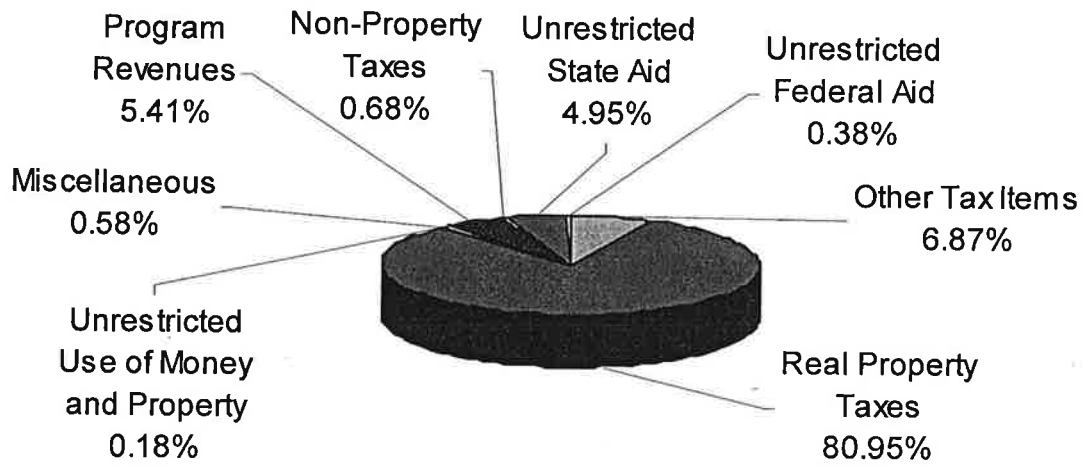
- Unrestricted State Aid decreased by \$202,938, due to a cut in state funding to school districts.
- Unrestricted Federal Aid decreased by \$592,814, due to the decrease of Federal stimulus funds that the District received.
- Other Tax Items - STAR (School Tax Relief Program) increased by \$750,737.
- Real Property Taxes increased by \$1,393,097, or 1.57%.

Expenses:

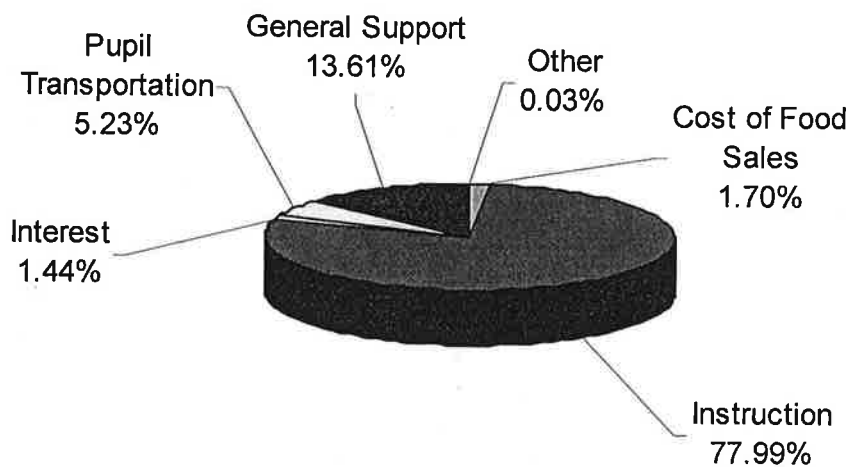
The School District's program expenses increased by \$1,318,543. The highlights were:

- General Support saw a decrease of \$686,112 due to a cut back in operations expenses including Operations and Maintenance.
- Instruction saw an increase of \$2,863,106 which reflected increases in salaries and benefits (mainly pension contributions).
- Pupil Transportation, Community Services and Cost of Food Sales all showed a small variance when compared to the prior year.

**Revenues for Fiscal year 2010-11
Governmental Activities**



**Expenses for Fiscal Year 2010-11
Governmental Activities**



Financial Analysis of the School District's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the School District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the School District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the School District's governmental funds reported combined fund balances of \$20,787,452, an increase of \$344,304 from the prior year. As previously stated, \$4,250,000 of such fund balance has been appropriated for the 2011-12 budget to reduce the tax levy.

The School District's fund balance for the General Fund increased \$763,476, from \$19,320,709 to \$20,084,185 during the current fiscal year.

General Fund revenues exceeded the final budget by \$840,495. The two largest positive variances are: \$522,197 for Miscellaneous Revenues and \$425,356 for Federal Aid. The largest negative variance of \$305,959 was in State Aid. The District received larger than expected refund of prior year's expenditures. State Aid was cut and in its place the District received Federal funds from the American Recovery and Reinvestment Act (stimulus/stabilization funds). In addition, the District received larger than expected county sales tax in the amount of \$89,290.

General Fund expenditures for 2010-11 were \$3,847,436 less than the final budget, after the deduction of \$1,733,527 for encumbrances. Positive variances were shown in the following areas: General Support: \$299,606, Instruction: \$1,766,107, Pupil Transportation: \$274,699, Employee Benefits: \$1,436,420 and Debt Service: \$90,536.

For the General Fund, the total revenues exceeded total expenditures by \$763,476, excluding encumbrances.

The Capital Projects Fund (Restricted Fund Balance) showed a fund balance of \$25,610. Other Governmental Funds showed a combined fund balance of \$677,657, consisting of \$4,549 of Nonspendable Fund Balance, \$44,211 of Restricted Fund Balance and \$628,897 of Assigned Fund Balance. As stated earlier some of these funds have been designated for 2011-12 operational use.

General Fund Budgetary Highlights

The difference between the original expenditure budget and the final amended budget was \$1,260,691. These budget modifications are made up of two figures: 1) transfer in of

\$1,132,778 from the Retirement Contributions Reserve for the Employee Retirement System payment, and 2) gifts from PTA, Chappaqua Education Foundation, Friends of Greeley Theatre, Academic Challenge, etc. amounting to \$127,913.

Fund Balance Analysis

It is noteworthy to report that the Governmental Accounting Standards Board ("GASB") issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in February 2009. The requirements of GASB Statement No. 54 are effective for financial statements for period ended June 30, 2011; therefore they are introduced in this report for the first time. GASB Statement No. 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below.

Nonspendable – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. (District has no reserves fall under this category.)

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

These changes were made to reflect spending constraints on resources, rather than availability for appropriations and to bring greater clarity and consistency to fund balance reporting. This pronouncement should result in an improvement in the usefulness of fund balance information. On the District balance sheet one will find fund balances in four

categories: Nonspendable, restricted, assigned and unassigned. The actual amount of fund balance in each reserve category is presented in Note 3. I – Fund Balances.

Opening Unreserved – Undesignated Fund Balance	\$ 4,375,650
Revenues over Budget	840,495
Expenditures and Encumbrances under Budget	3,847,436
Net Transfers to/from Reserves	(748,080)
Assigned for 2011-12 Budget	<u>(3,868,706)</u>
Closing Unassigned	<u>\$ 4,446,795</u>

Capital Assets

At the end of June 30, 2011 the School District had \$107,293,995 net of accumulated depreciation invested in a broad range of capital assets, including land, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below.

<u>Class</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land	\$ 2,177,700	\$ 2,177,700
Construction in Progress	18,220	-
Buildings and Improvements	103,157,898	105,833,929
Machinery and Equipment	<u>1,940,177</u>	<u>1,856,487</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 107,293,995</u>	<u>\$109,868,116</u>

More detailed information about the School District's capital assets is presented in the notes to the financial statements (Note 3, B – Capital Assets).

Long-Term Liabilities

As of June 30, 2011, the School District had \$45,285,000 in general obligation debt and other long-term liabilities outstanding, as follows:

	<u>2010-11</u>	<u>2009-10</u>
Bonds Payable	\$ 46,409,728	\$ 49,575,217
Compensated Absences	3,599,737	3,635,113
Other Post Employment Benefit Obligations Payable	<u>9,059,096</u>	<u>7,144,172</u>
Total	<u>\$ 59,068,561</u>	<u>\$ 60,354,502</u>

During the year, the School District refinanced three serial bonds at a blended interest rate of 2.97% over 20 years resulting a total savings of \$6,077,686. Long-term liabilities are made up by three figures: bonds payable, compensated absences and other post employment benefit obligations. Bonds payable saw a decrease of \$3,165,489 due to bonds refinancing and scheduled redemptions. Compensated absences saw a decrease of \$35,376 due to a reduction of staffing. Other post employment benefit obligations saw an increase of \$1,914,924. This is the third year that a public entity is required to record such obligations (the full amount is being amortized over 30 years). The net impact of these three factors decreased the District's long-term liabilities by \$1,285,941.

More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements (Note 3, F- Long-Term Liabilities).

Summary

Chappaqua Central School District is financially solid. Overall, the financial position of the District for year ended June 30, 2011 is similar to the prior fiscal year. The District's net assets decreased by \$644,944 (0.9%) due to the requirement to record other post employment benefit obligations (GASB 45) of \$9,059,096 which represents an increase of \$1,914,924 over school year 2009-10.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Chappaqua Central School District
Attn: John L. Chow
Assistant Superintendent for Business
PO Box 21
Chappaqua, New York 10514
Tel: (914)238-7221
E-mail: jochow@ccsd.ws

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 23,436,855
Receivables:	
Accounts	1,019,454
State and Federal aid	2,766,415
Prepaid expenses	21,892
Inventories	4,549
Deferred charges	302,654
Capital assets (net of accumulated depreciation):	
Land	2,177,700
Construction-in-progress	18,220
Buildings and improvements	103,157,898
Machinery and equipment	1,940,177
Total Assets	134,845,814
LIABILITIES	
Accounts payable	188,083
Accrued liabilities	874,994
Retainages payable	47,245
Due to retirement systems	5,089,954
Due to other governments	100,517
Unearned revenues	160,920
Accrued interest payable	802,656
Non-current liabilities:	
Due within one year:	
Bonds payable	2,810,000
Compensated absences	360,000
Due in more than one year:	
Bonds payable	43,599,728
Compensated absences	3,239,737
Other post employment benefit obligations payable	9,059,096
Total Liabilities	66,332,930
NET ASSETS	
Invested in capital assets, net of related debt	61,186,921
Restricted for:	
Capital projects	25,610
Debt service	367,428
Tax certiorari	3,328,170
Unemployment benefits	150,518
Property loss	59,046
Insurance	210,150
Liability claims	218,450
Repairs	137,001
Retirement contributions	4,073,312
Special purposes	44,211
School lunch	266,018
Unrestricted	(1,553,951)
Total Net Assets	\$ 68,512,884

The notes to the financial statements are an integral part of this statement.

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CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General support	\$ 15,287,966	\$ 73,979	\$ 196,964	\$ -	\$ (15,017,023)
Instruction	87,577,367	524,148	2,875,101	-	(84,178,118)
Pupil transportation	5,876,282	-	-	-	(5,876,282)
Community services	18,977	161,253	-	-	142,276
Cost of food sales	1,910,000	1,787,041	148,303	-	25,344
Other	2,837	-	1,028	-	(1,809)
Interest	1,622,599	-	-	781	(1,621,818)
Total Governmental Activities	<u>\$ 112,296,028</u>	<u>\$ 2,546,421</u>	<u>\$ 3,221,396</u>	<u>\$ 781</u>	<u>(106,527,430)</u>
General Revenues:					
Real property taxes					90,386,852
Other tax items -					
School tax relief reimbursement					7,667,463
Non-property taxes -					
Non-property tax distribution from County					764,290
Unrestricted use of money and property					198,693
Unrestricted State aid					5,794,964
Unrestricted Federal aid					419,018
Miscellaneous					651,206
Total General Revenues					<u>105,882,486</u>
Change in Net Assets					(644,944)
Net Assets - Beginning					<u>69,157,828</u>
Net Assets - Ending					<u>\$ 68,512,884</u>

The notes to the financial statements are an integral part of this statement.

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Special Aid	Capital Projects
ASSETS			
Cash and Equivalents	\$ 22,523,643	\$ 21,281	\$ 153,382
Receivables:			
Accounts	1,019,454	-	-
State and Federal aid	1,154,533	1,604,628	-
Due from other funds	1,625,873	-	-
Prepaid expenditures	21,892	-	-
Inventories	-	-	-
Total Assets	<u>\$ 26,345,395</u>	<u>\$ 1,625,909</u>	<u>\$ 153,382</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 188,083	\$ -	\$ -
Accrued liabilities	874,994	-	-
Retainages payable	-	-	47,245
Due to other funds	-	1,625,867	6
Due to retirement systems	5,089,954	-	-
Due to other governments	100,517	-	-
Deferred revenues	7,662	42	80,521
Total Liabilities	<u>6,261,210</u>	<u>1,625,909</u>	<u>127,772</u>
Fund Balances:			
Nonspendable	21,892	-	-
Restricted	11,677,791	-	25,610
Assigned	3,937,707	-	-
Unassigned	4,446,795	-	-
Total Fund Balances	<u>20,084,185</u>	<u>-</u>	<u>25,610</u>
Total Liabilities and Fund Balances	<u>\$ 26,345,395</u>	<u>\$ 1,625,909</u>	<u>\$ 153,382</u>

The notes to the financial statements are an integral part of this statement.

Other Governmental	Total Governmental Funds
\$ 738,549	\$ 23,436,855
-	1,019,454
7,254	2,766,415
-	1,625,873
-	21,892
4,549	4,549
<u>\$ 750,352</u>	<u>\$ 28,875,038</u>

\$ -	\$ 188,083
-	874,994
-	47,245
-	1,625,873
-	5,089,954
-	100,517
72,695	160,920
<u>72,695</u>	<u>8,087,586</u>

4,549	26,441
44,211	11,747,612
628,897	4,566,604
-	4,446,795
<u>677,657</u>	<u>20,787,452</u>
<u>\$ 750,352</u>	<u>\$ 28,875,038</u>

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CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT - WIDE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund Balances - Total Governmental Funds \$ 20,787,452

Amounts Reported for Governmental Activities in the Statement of Net
Assets are Different Because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 107,293,995

Government funds report the effect of issuance costs and similar
items when debt is first issued, whereas these amounts are
deferred and amortized in the statement of activities.
Deferred charges 302,654

Long-term liabilities that are not due and payable in the current
period are not reported in the funds.

Accrued interest payable	(802,656)
Bonds payable	(46,409,728)
Compensated absences	(3,599,737)
Other post employment benefit obligations payable	<u>(9,059,096)</u>
	<u>(59,871,217)</u>

Net Assets of Governmental Activities \$ 68,512,884

The notes to the financial statements are an integral part of this statement.

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Special Aid	Capital Projects
REVENUES			
Real property taxes	\$ 90,386,852	\$ -	\$ -
Other tax items	7,667,463	-	-
Non-property taxes	764,290	-	-
Charges for services	685,401	-	-
Use of money and property	275,091	-	-
State aid	6,411,892	660,000	-
Federal aid	425,356	1,347,476	-
Food sales	-	-	-
Miscellaneous	1,090,110	-	-
Total Revenues	107,706,455	2,007,476	-
EXPENDITURES			
Current:			
General support	13,008,393	-	-
Instruction	61,652,322	2,147,476	-
Pupil transportation	5,858,352	-	-
Community services	18,977	-	-
Employee benefits	21,516,170	-	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service:			
Refunding bonds issuance costs	-	-	-
Principal	-	-	-
Interest	162,797	-	-
Capital outlay	-	-	88,284
Total Expenditures	102,217,011	2,147,476	88,284
Excess (Deficiency) of Revenues Over Expenditures	5,489,444	(140,000)	(88,284)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	-	-
Issuance premium	-	-	-
Payment to refunded bond escrow agent	-	-	-
Transfers in	223,301	140,000	100,000
Transfers out	(4,949,269)	-	(223,301)
Total Other Financing Sources (Uses)	(4,725,968)	140,000	(123,301)
Net Change in Fund Balances	763,476	-	(211,585)
Fund Balances - Beginning of Year	19,320,709	-	237,195
Fund Balances - End of Year	\$ 20,084,185	\$ -	\$ 25,610

The notes to the financial statements are an integral part of this statement.

Other Governmental	Total Governmental Funds
\$ -	\$ 90,386,852
-	7,667,463
-	764,290
-	685,401
1,681	276,772
14,779	7,086,671
121,836	1,894,668
1,787,041	1,787,041
11,816	1,101,926
<u>1,937,153</u>	<u>111,651,084</u>
-	13,008,393
-	63,799,798
-	5,858,352
-	18,977
-	21,516,170
1,910,000	1,910,000
2,379	2,379
301,095	301,095
3,475,000	3,475,000
1,466,630	1,629,427
-	88,284
<u>7,155,104</u>	<u>111,607,875</u>
<u>(5,217,951)</u>	<u>43,209</u>
43,070,000	43,070,000
3,423,568	3,423,568
(46,192,473)	(46,192,473)
4,709,269	5,172,570
-	(5,172,570)
<u>5,010,364</u>	<u>301,095</u>
(207,587)	344,304
<u>885,244</u>	<u>20,443,148</u>
<u>\$ 677,657</u>	<u>\$ 20,787,452</u>

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CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances - Total Governmental Funds	\$ 344,304
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	
Capital outlay expenditures	414,134
Depreciation expense	(2,988,255)
	<u>(2,574,121)</u>
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Refunding bonds issued	(43,070,000)
Payment to refunded bond escrow agent	46,192,473
Refunding bond issuance costs	301,095
Issuance premium	(3,423,568)
Principal paid on serial bonds	3,475,000
Amortization of issuance costs, loss on refunding bonds and issuance premium	(25,823)
	<u>3,449,177</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	15,244
Compensated absences	35,376
Other post employment benefit obligations	(1,914,924)
	<u>(1,864,304)</u>
Change in Net Assets of Governmental Activities	<u>\$ (644,944)</u>

The notes to financial statements are an integral part of this statement.

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL AID FUNDS
YEAR ENDED JUNE 30, 2011

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 90,382,154	\$ 90,382,154	\$ 90,386,852	\$ 4,698
Other tax items	7,751,351	7,751,351	7,667,463	(83,888)
Non-property taxes	675,000	675,000	764,290	89,290
Charges for services	441,691	441,691	685,401	243,710
Use of money and property	330,000	330,000	275,091	(54,909)
State aid	6,717,851	6,717,851	6,411,892	(305,959)
Federal aid	-	-	425,356	425,356
Miscellaneous	440,000	567,913	1,090,110	522,197
Total Revenues	106,738,047	106,865,960	107,706,455	840,495
EXPENDITURES				
Current:				
General support	13,260,477	14,279,350	13,008,393	1,270,957
Instruction	63,961,880	64,109,005	61,652,322	2,456,683
Pupil transportation	6,134,132	6,134,651	5,858,352	276,299
Community services	18,977	18,977	18,977	-
Employee benefits	22,159,821	22,952,590	21,516,170	1,436,420
Debt service -				
Interest	175,000	253,333	162,797	90,536
Total Expenditures	105,710,287	107,747,906	102,217,011	5,530,895
Excess (Deficiency) of Revenues Over Expenditures	1,027,760	(881,946)	5,489,444	6,371,390
OTHER FINANCING SOURCES (USES)				
Transfers in	223,301	223,301	223,301	-
Transfers out	(5,776,265)	(4,999,337)	(4,949,269)	50,068
Total Other Financing Sources (Uses)	(5,552,964)	(4,776,036)	(4,725,968)	50,068
Net Change in Fund Balances	(4,525,204)	(5,657,982)	763,476	6,421,458
Fund Balances - Beginning of Year	4,525,204	5,657,982	19,320,709	13,662,727
Fund Balances - End of Year	\$ -	\$ -	\$ 20,084,185	\$ 20,084,185

The notes to the financial statements are an integral part of this statement.

Special Aid Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
660,000	660,000	660,000	-
1,352,303	1,352,303	1,347,476	(4,827)
-	-	-	-
2,012,303	2,012,303	2,007,476	(4,827)
-	-	-	-
2,152,303	2,152,303	2,147,476	4,827
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,152,303	2,152,303	2,147,476	4,827
(140,000)	(140,000)	(140,000)	-
140,000	140,000	140,000	-
-	-	-	-
140,000	140,000	140,000	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

STATEMENT OF ASSETS AND LIABILITIES

FIDUCIARY FUND

JUNE 30, 2011

	<u>Agency</u>
ASSETS	
Cash and Equivalents	<u>\$ 1,365,300</u>
LIABILITIES	
Accounts Payable	\$ 915,787
Employee Payroll Deductions	353,529
Deposits Payable	41,066
Student Activity Funds	<u>54,918</u>
Total Liabilities	<u>\$ 1,365,300</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies

The Chappaqua Central School District, New York ("School District"), as presently constituted, was established in 1905 and operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education is the legislative body responsible for overall operation of the School District and is elected by the voters of the School District. The Superintendent serves as the chief executive officer. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, and finance and plant maintenance support the primary function.

The accounting policies of the School District conform to generally accepted accounting principles for local governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the School District's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, which is the School District, b) organizations for which the School District is financially accountable and c) other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the School District's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

The School District participates in the Putnam-Northern Westchester Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating district's governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by the ratio which the component school district's value of taxable properties in effect at the time of adoption bears to the total full value of taxable properties of all component school districts within BOCES as defined by Education Law. Copies of BOCES' financial statement can be requested from Putnam-Northern Westchester BOCES, 200 BOCES Drive, Yorktown Heights, New York 10598.

B. District-Wide Financial Statements

The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the School District as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Statement of Net Assets presents the financial position of the School District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The School District does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the School District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The School District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the district-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the district-wide presentation. The School District's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the School District's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue fund of the School District is as follows:

Note 1 - Summary of Significant Accounting Policies (Continued)

Special Aid Fund - The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal or State funds.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

The School District also reports the following non-major governmental funds:

Special Revenue Funds:

School Lunch Fund - The School Lunch Fund is used to record the operations of the breakfast and lunch programs of the School District.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the School District in accordance with the terms of a trust agreement.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

- b. Fiduciary Funds (Not Included in District-Wide Statements) - Fiduciary Funds are used to account for assets held by the School District in an agency capacity on behalf of others. Among the activities included in the Agency Fund are the student activity funds. The Agency Fund is also utilized to account for payroll tax withholdings that are payable to other jurisdictions.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

Note 1 - Summary of Significant Accounting Policies (Continued)

current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities and Net Assets or Fund Balances**Deposits and Risk Disclosure**

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions, and accordingly, the School District's policy provides for no credit risk on investments.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2011.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

The School District was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

Property Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of July 1st and are levied and payable in September and January. The Towns of New Castle and Mount Pleasant which are included in the levy are responsible for the billing and collection of the taxes. The towns guarantee the full payment of the School District warrant and assume responsibility for uncollected taxes.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the School District. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the district-wide and fund financial statements. Prepaid expenses/expenditures consist of health insurance costs which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Inventories - Inventories in the School Lunch Fund consist of surplus food and supplies and are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at a stated value, which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Deferred Charges - Deferred charges in the district-wide financial statements represent the unamortized portion of the costs of issuance of the bonds. These costs are being amortized over the term of the respective bond issue.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Buildings and Improvements	20-50
Machinery and Equipment	5-20

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Unearned/Deferred Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In district-wide financial statements, unearned revenues consist of revenue received in advance and/or grants received before the eligibility requirements have been met.

Deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported deferred revenues of \$7,662 in the General Fund for fees received in advance, \$42 in the Special Aid Fund for Federal aid received in advance, \$80,521 in the Capital Projects Fund for Federal aid received in advance and \$72,695 in the School Lunch Fund for lunch payments received in advance. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Long-term Liabilities - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation or sick leave upon separation from service. The liability for such accumulated leave is reflected in the district-wide Statement of Net Assets as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets on the Statement of Net Assets include, invested in capital assets, net of related debt, restricted for capital projects, debt service, tax certiorari, unemployment benefits, property loss, insurance, liability claims, repairs, retirement contributions, special purposes and school lunch. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law.

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

Note 1 - Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 5, 2011.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The School District follows the procedures enumerated below in establishing the budgetary data reflected in the fund financial statements:

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- e) If the voters reject the budget, the Board of Education may resubmit the budget to the voters only once in revised form or as originally issued. The Board may also elect to adopt a contingent budget without voter approval. The contingent budget includes all expenditures needed to provide the minimum services legally required. Total spending under a contingency budget cannot increase by more than 4% or 120% of the Consumer Price Index, whichever is lower. In addition, the administrative budget segment, exclusive of the capital component, may not comprise a greater percentage of the budget than the lesser of either (1) the comparable percentage of the prior year's budget or (2) the comparable percentage of the last defeated budget. (See Note 6).
- f) Formal budgetary integration is employed during the year as a management control device for General and Special Aid funds.
- g) Budgets for General, Special Aid and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch or Special Purpose funds.
- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General, Special Aid or Debt Service funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Education.

C. Limitation on Fund Balance

The School District is limited to the amount of committed, assigned and unassigned fund balance, with certain exceptions, that can be retained. New York State law limits this amount of fund balance to 4% of the ensuing year's budget.

D. Application of Accounting Standards

For the year ended June 30, 2011, the School District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54"). GASB 54 changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriations. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011**Note 3 - Detailed Notes on All Funds****A. Due From/To Other Funds**

The balances reflected as due from/to other funds at June 30, 2011 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 1,625,873	\$ -
Special Aid	-	1,625,867
Capital Projects	-	6
	<u>\$ 1,625,873</u>	<u>\$ 1,625,873</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

B. Capital Assets

Changes in the School District's capital assets are as follows:

<u>Class</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital Assets, not being depreciated:				
Land	\$ 2,177,700	\$ -	\$ -	\$ 2,177,700
Construction-in-progress	-	18,220	-	18,220
Total Capital Assets, not being depreciated	<u>\$ 2,177,700</u>	<u>\$ 18,220</u>	<u>\$ -</u>	<u>\$ 2,195,920</u>
Capital Assets, being depreciated:				
Buildings and Improvements	\$ 140,167,529	\$ 79,419	\$ -	\$ 140,246,948
Machinery and Equipment	3,808,190	316,495	45,106	4,079,579
Total Capital Assets, being depreciated	<u>143,975,719</u>	<u>395,914</u>	<u>45,106</u>	<u>144,326,527</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	34,333,600	2,755,450	-	37,089,050
Machinery and Equipment	1,951,703	232,805	45,106	2,139,402
Total Accumulated Depreciation	<u>36,285,303</u>	<u>2,988,255</u>	<u>45,106</u>	<u>39,228,452</u>
Total Capital Assets, being depreciated, net	<u>\$ 107,690,416</u>	<u>\$ (2,592,341)</u>	<u>\$ -</u>	<u>\$ 105,098,075</u>
Capital Assets, net	<u>\$ 109,868,116</u>	<u>\$ (2,574,121)</u>	<u>\$ -</u>	<u>\$ 107,293,995</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Depreciation expense was charged to School District functions and programs as follows:

General Support	\$ 243,265
Instruction	2,727,060
Cost of Food Sales	<u>17,930</u>
Total Depreciation Expense	<u>\$ 2,988,255</u>

C. Accrued Liabilities

Accrued liabilities at June 30, 2011 were as follows:

	<u>General Fund</u>
Other	\$ 726,296
Payroll and employee benefits	<u>148,698</u>
	<u>\$ 874,994</u>

D. Pension Plans

The School District participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State Teachers' Retirement System ("TRS") ("Systems"). These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by Education Law and the New York State Retirement and Social Security Law. The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Systems. These reports may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224 and the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Funding Policy - The Systems are non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary and employees in tier 5 who also contribute 3% of their salary for ERS and 3.5% for TRS without regard to their years of service. Contributions to ERS are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions to ERS consist of a life insurance portion and regular pension contributions. Pursuant to Article 11 of Education Law, actuarial contributions are established annually for TRS by the New York State Teachers' Retirement Board. Contribution rates for the plans' year's ending in 2011 are as follows:

<u>ERS</u>		<u>TRS</u>	
<u>Tier/Plan</u>	<u>Rate</u>	<u>Tiers</u>	<u>Rate</u>
2 75I	14.1%	1-4	8.62%
3 A14	11.4		
4 A15	11.4		

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011**Note 3 - Detailed Notes on All Funds (Continued)**

Contributions to the Systems for the current and two preceding years were as follows:

	ERS	TRS
2011	\$ 1,107,925	\$ 4,155,263
2010	720,576	2,979,208
2009	658,524	3,483,901

The ERS and TRS contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

The current year ERS and TRS contributions were charged to the General Fund.

E. Short-Term Non-Capital Borrowings

The schedule below details the changes in short-term non-capital borrowings.

	Balance July 1, 2010	New Issues	Redemptions	Balance June 30, 2011
Tax Anticipation Note	\$ -	\$ 8,000,000	\$ 8,000,000	\$ -

The tax anticipation note was issued on July 15, 2010 and matured on June 30, 2011, with interest at 2.0%.

Interest expenditures of \$162,797 were recorded in the fund financial statements in the General Fund and in the district-wide financial statements.

F. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2011:

	Balance July 1, 2010	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2011	Due Within One-Year
Bonds Payable	\$ 49,655,000	\$ 43,070,000	\$ 47,440,000	\$ 45,285,000	\$ 2,810,000
Less - Deferred amounts on refunding	(79,783)	1,196,095	(8,416)	1,124,728	-
	49,575,217	44,266,095	47,431,584	46,409,728	2,810,000
Other Non-current Liabilities - Compensated Absences	3,635,113	328,135	363,511	3,599,737	360,000
Other Post Employment Benefit Obligations	7,144,172	5,658,606	3,743,682	9,059,096	-
Total Other Non- current Liabilities	10,779,285	5,986,741	4,107,193	12,658,833	360,000
Total Long-Term Liabilities	\$ 60,354,502	\$ 50,252,836	\$ 51,538,777	\$ 59,068,561	\$ 3,170,000

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Each governmental fund's liability for compensated absences and other post employment benefit obligations is liquidated by the General Fund. The School District's indebtedness for bonds is satisfied by the Debt Service Fund which is funded primarily by the General Fund.

Bonds Payable

Bonds payable at June 30, 2011 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2010
Building Renovations	2002	\$ 1,750,000	September, 2011	3.750 %	\$ 110,000
Building Renovations	2002	32,720,000	September, 2011	4.000	850,000
Building Renovations	2003	23,955,000	January, 2012	4.125	1,170,000
Refunding	2002	5,010,000	October, 2011	3.250	535,000
Refunding	2011	43,070,000	January, 2030	2.0-5.000	42,620,000
					<u>\$ 45,285,000</u>

Interest expenditures of \$1,466,630 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$1,459,802 was recorded in the district-wide financial statements.

Payments to Maturity

The annual requirements to amortize all outstanding bonded debt as of June 30, 2011 including interest payments of \$15,796,505 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 2,810,000	\$ 1,743,375	\$ 4,553,375
2013	2,270,000	1,661,556	3,931,556
2014	2,335,000	1,593,456	3,928,456
2015	2,420,000	1,500,056	3,920,056
2016	2,545,000	1,379,056	3,924,056
2017-2021	13,955,000	5,163,181	19,118,181
2022-2026	11,350,000	2,218,200	13,568,200
2027-2030	7,600,000	537,625	8,137,625
	<u>\$ 45,285,000</u>	<u>\$ 15,796,505</u>	<u>\$ 61,081,505</u>

The above general obligation bonds are direct obligations of the School District for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the School District.

Note 3 - Detailed Notes on All Funds (Continued)

Prior Year's Defeasance

In prior years, the School District defeased certain bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2011, \$545,000 of bonds outstanding are considered defeased.

Advance Refunding

During the 2010-11 fiscal year, the School District issued \$43,070,000 in serial bonds with interest rates ranging from 2.0% to 5.0%, depending on maturity. The proceeds were used to partially advance refund \$92,000, \$26,900,000 and \$16,145,000, respectively, of the 2002A, 2002B and 2003 building renovations serial bonds bearing interest at rates ranging from 3.625% to 4.7%. The net proceeds of \$46,192,473 (net of \$3,423,568 re-offering premium and after payment of \$301,095 in underwriting fees and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002A, 2002B and 2003 building renovations serial bonds. As a result, the 2002A, 2002B and 2003 building renovations serial bonds are considered partially defeased and the liability for these serial bonds has been removed from the Statement of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by \$2,227,473 and the premium received was \$3,423,568. These amounts are being netted against the new debt and amortized over the remaining life of the refunded debt.

The School District advance refunded the 2002A, 2002B and 2003 building renovation serial bonds to reduce its total debt service payments over 20 years by \$6,077,686 and to obtain a net present value economic gain of \$4,562,025.

As of June 30, 2011, the defeased bonds outstanding was \$43,965,000.

Compensated Absences

Pursuant to collective bargaining agreements, upon separation of service, the School District is required to compensate administrators, clerical staff and custodians for unused vacation time. For all other employees, vacation time is generally taken in the year earned. The School District is not required to compensate employees for accumulated sick leave. The value of the compensated absences has been reflected in the district-wide financial statements.

Other Post Employment Benefit Obligations

In addition to providing pension benefits, the School District provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the School District may vary according to length of service. The cost of providing post employment health care benefits is shared between the School District and the retired employee. Substantially all of the School District's employees may become eligible for those benefits if they reach normal retirement age while working for the School District. The cost of retiree health care benefits is recognized as an expenditure/expense as claims are paid.

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

The School District's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The School District is required to accrue on the government-wide financial statements the amounts necessary to finance the Plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in postretirement benefits are as follows:

The assumed rates of increase in post retirement benefits are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Medical</u>
2012	8.00 %
2013	7.00
2014	6.00
2015+	5.00

The amortization basis is the level percentage of payroll method with an open amortization approach with 27 years remaining in the amortization period. The actuarial assumptions included a 6.0% investment rate of return and a 4% annual payroll growth rate. The School District currently has no assets set aside for the purpose of paying postemployment benefits. The actuarial cost method utilized was the projected unit credit cost method.

The number of participants as of June 30, 2011 was as follows:

Active Employees	631
Retired Employees	<u>368</u>
	<u>999</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011**Note 3 - Detailed Notes on All Funds (Continued)**

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2010	\$ 91,250,028
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 91,250,028</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 57,859,271</u>
UAAL as a Percentage of Covered Payroll	<u>157.71%</u>
Annual Required Contribution	\$ 6,119,558
Interest on Net OPEB Obligation	428,650
Adjustment to Annual Required Contribution	<u>(889,602)</u>
Annual OPEB Cost	5,658,606
Contributions Made	<u>(3,743,682)</u>
Increase in Net OPEB Obligation	1,914,924
Net OPEB Obligation - Beginning of year	<u>7,144,172</u>
Net OPEB Obligation - End of year	<u>\$ 9,059,096</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 5,658,606	66.16 %	\$ 9,059,096
2010	6,389,163	53.93	7,144,172
2009	7,671,558	45.24	4,200,739

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

G. Revenues and Expenditures**Interfund Transfers**

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. The interfund transfers reflected below have been reported as transfers.

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Transfers Out	Transfers In				Total
	General Fund	Special Aid Fund	Capital Projects Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 140,000	\$ 100,000	\$ 4,709,269	\$ 4,949,269
Capital Projects Fund	223,301	-	-	-	223,301
	<u>\$ 223,301</u>	<u>\$ 140,000</u>	<u>\$ 100,000</u>	<u>\$ 4,709,269</u>	<u>\$ 5,172,570</u>

Transfers are used to 1) move funds from the operating funds to the Debt Service Fund as debt service principal and interest payments become due, 2) move amounts earmarked in the operating funds to fulfill commitments for General, Special Aid and Capital Projects funds expenditures.

H. Net Assets

The components of net assets are detailed below:

Invested in Capital Assets, net of Related Debt - the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - the component of net assets that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds.

Restricted for Debt Service - the component of net assets that reports the difference between assets and liabilities of the Debt Service Fund with constraints placed on their use by Local Finance Law.

Restricted for Tax Certiorari - the component of net assets that has been established in accordance with Education Law to provide funding for court ordered tax refunds which are currently in process.

Restricted for Unemployment Benefits - the component of net assets that has been established to set aside funds to be used for a specific purpose in accordance with Section 6m of the General Municipal Law of the State of New York.

Restricted for Property Loss - the component of net assets that has been established in accordance with Education Law to set aside funds for the deductible provisions of the School District's insurance policies.

Restricted for Insurance - the component of net assets that has been established to set aside funds to repair assets funded by insurance recoveries pursuant to Educational Law.

Restricted for Liability Claims - the component of net assets that has been established to set aside funds for liability claims incurred pursuant to Education Law.

Note 3 - Detailed Notes on All Funds (Continued)

Restricted for Repairs - the component of net assets that has been established in accordance with Education Law to provide funds for the repairs to capital improvements and equipment.

Restricted for Retirement Contributions - the component of net assets that has been established in accordance with General Municipal Law section 6r to provide funds for the purpose of paying retirement contributions to the New York State Local Employees Retirement System (ERS).

Restricted for Special Purposes - the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by either external parties and/or statute.

Restricted for School Lunch - the component of net assets that reports the difference between assets and liabilities in the School Lunch Fund.

Unrestricted - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

I. Fund Balances

	2011				2010			
	General Fund	Capital Projects Fund	Non-Major Governmental	Total	General Fund	Capital Projects Fund	Non-Major Governmental	Total
Nonspendable:								
Inventories	\$ -	\$ -	\$ 4,549	\$ 4,549	\$ -	\$ -	\$ 4,671	\$ 4,671
Prepaid expenditures	21,892	-	-	21,892	21,250	-	-	21,250
	<u>21,892</u>	<u>-</u>	<u>4,549</u>	<u>26,441</u>	<u>21,250</u>	<u>-</u>	<u>4,671</u>	<u>25,921</u>
Restricted:								
Debt service	-	-	-	-	-	-	599,008	599,008
Tax certiorari	3,328,170	-	-	3,328,170	3,327,083	-	-	3,327,083
Unemployment benefits	150,518	-	-	150,518	150,469	-	-	150,469
Property loss	59,046	-	-	59,046	59,027	-	-	59,027
Insurance	210,150	-	-	210,150	210,081	-	-	210,081
Liability claims	218,450	-	-	218,450	218,379	-	-	218,379
Employee benefit accrued liability	3,501,144	-	-	3,501,144	3,500,000	-	-	3,500,000
Repairs	137,001	-	-	137,001	136,860	-	-	136,860
Retirement contributions	4,073,312	-	-	4,073,312	2,796,706	-	-	2,796,706
Capital projects	-	25,610	-	25,610	-	237,195	-	237,195
Special purposes	-	-	44,211	44,211	-	-	45,562	45,562
	<u>11,677,791</u>	<u>25,610</u>	<u>44,211</u>	<u>11,747,612</u>	<u>10,398,605</u>	<u>237,195</u>	<u>644,570</u>	<u>11,280,370</u>
Assigned:								
Purchases on order:								
General government support	1,041,351	-	-	1,041,351	1,058,396	-	-	1,058,396
Instruction	690,576	-	-	690,576	1,030,241	-	-	1,030,241
Transportation	1,600	-	-	1,600	6,567	-	-	6,567
	<u>1,733,527</u>	<u>-</u>	<u>-</u>	<u>1,733,527</u>	<u>2,095,204</u>	<u>-</u>	<u>-</u>	<u>2,095,204</u>
Designated for subsequent year's expenditures								
School Lunch Fund	2,204,180	-	367,428	2,571,608	2,430,000	-	-	2,430,000
	-	-	261,469	261,469	-	-	236,003	236,003
	<u>3,937,707</u>	<u>-</u>	<u>628,897</u>	<u>4,566,604</u>	<u>4,525,204</u>	<u>-</u>	<u>236,003</u>	<u>4,761,207</u>
Unassigned	<u>4,446,795</u>	<u>-</u>	<u>-</u>	<u>4,446,795</u>	<u>4,375,650</u>	<u>-</u>	<u>-</u>	<u>4,375,650</u>
Total Fund Balance	<u>\$ 20,084,185</u>	<u>\$ 25,610</u>	<u>\$ 677,657</u>	<u>\$ 20,787,452</u>	<u>\$ 19,320,709</u>	<u>\$ 237,195</u>	<u>\$ 885,244</u>	<u>\$ 20,443,148</u>

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements, which are not reflected in the Statement of Net Assets but are reported in the governmental funds balance sheet are described below.

Prepaid Expenditures has been provided to account for certain payments made in advance. The amount is classified as nonspendable to indicate that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Employee Benefit Accrued Liability - the component of fund balance that has been restricted pursuant to General Municipal Law to provide funds for the payment of unused sick time and other forms of payment for accrued leave time granted upon termination or separation from service.

Purchases on order are assigned and represent the School District's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Designations of fund balance are not legally required segregations but represent intended use for a specific purpose. At June 30, 2011, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

The School District is currently involved in several tuition reimbursement matters in which the parents of the students have requested an impartial hearing seeking tuition reimbursement at private schools. If the parents are successful, the School District could be obligated for tuition reimbursement and the parents' attorneys. The total amount of this obligation is currently unknown. The School District prevailed at the impartial hearing officer level and before the State Review Officer in one of these cases. This case is currently under appeal in the federal district court. These cases are presently being defended aggressively.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

B. Contingencies

The School District participates in various Federal grant programs. These programs may be subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the School District's compliance with applicable grant requirements may be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

C. Risk Management

The School District and other school districts have formed a reciprocal insurance company to be owned by these districts. This Company operates under an agreement effective July 1, 1989. The purpose of the Company is to provide general liability, auto liability, all risk building and contents and auto physical damage coverage. In addition, as part of the reciprocal program, excess insurance, school board legal liability, equipment floaters, boilers and machinery and crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution.

The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains a general liability insurance policy with coverage up to \$1 million. The School District maintains liability coverage for school board members up to \$1 million. The School District also maintains an umbrella policy with coverage up to \$25 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District and neighboring school districts in Northern Westchester and Putnam Counties participate in the Westchester-Putnam Schools Cooperative Self-Insurance Plan for Workers' Compensation. The purpose of the Plan is to provide efficient and economical evaluation, processing, administration, defense and payment of claims against plan members for workers' compensation and to provide for risk management to reduce future liability for workers' compensation and employers' liability payments. The Plan is managed and governed by a Board of Trustees comprised of a representative from each district. Billings are based upon participants' experience rating. The School District has transferred all related risk to the Plan.

NOTES TO FINANCIAL STATEMENTS (Concluded)
JUNE 30, 2011**Note 4 - Summary Disclosure of Significant Contingencies (Continued)**

The School District and neighboring school districts in Northern Westchester and Putnam Counties participate in the Northern Westchester – Putnam School Cooperative Medical Expense Benefit Plan. The Plan operates under an agreement dated February 17, 1987. The purposes of the Plan are to provide for the efficient and economical evaluation, processing, administration and payment of claims against Plan members for medical expenses through self-insurance and to provide for centralized administration, funding and disbursements for such services. The governance of the Plan rests in the Board of Trustees, which shall consist of five Trustees selected by the Plan members. A majority of the total number of Trustees shall be required to take any actions. The billings are based upon coverages provided each participant's employees. The School District has transferred all related risk to the Plan.

D. Leases

The School District leases office facilities and equipment under noncancelable operating leases. The total cost for these leases was \$353,982 for the year ended June 30, 2011. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 353,982
2013	246,501
2014	174,027
2015	<u>16,412</u>
	<u>\$ 790,922</u>

Note 5 - Subsequent Events

The School District, on July 20, 2011, issued an \$8,000,000 note in anticipation of 2011-12 property taxes. The note matures on June 29, 2012 and bears interest at a rate of 1.0%.

Note 6 - Other Matters

On June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments, including school districts.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a school district in a particular year, beginning with the 2012-2013 fiscal year. It expires on June 16, 2016.

Pursuant to the Tax Levy Limitation Law, the tax levy of a school district can not increase by more than the lesser of two percent or the annual increase in the consumer price index. Certain adjustments would be permitted as defined by Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation only if the budget is approved by at least 60% of the vote. There are certain exemptions to the tax levy limitation, such as expenditures made on account of certain tort settlements and certain increases in the actuarial contribution rates of the various public employee retirement systems.

CHAPPAQUA CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
LAST THREE FISCAL YEARS

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2008	\$ -	\$ 92,868,117	\$ 92,868,117	- %	\$ 55,286,448	167.98 %
July 1, 2009	-	87,768,536	87,768,536	-	57,075,478	153.78
July 1, 2010	-	91,250,028	91,250,028	-	57,859,271	157.71

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CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	2011	2010
<u>ASSETS</u>		
Cash:		
Demand deposits	\$ 22,522,943	\$ 21,583,028
Petty cash	700	700
	<u>22,523,643</u>	<u>21,583,728</u>
Receivables:		
Accounts	1,019,454	122,657
State and Federal aid	1,154,533	1,341,106
Due from other funds	1,625,873	973,424
	<u>3,799,860</u>	<u>2,437,187</u>
Prepaid Expenditures	<u>21,892</u>	<u>21,250</u>
Total Assets	<u>\$ 26,345,395</u>	<u>\$ 24,042,165</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 188,083	\$ 172,514
Accrued liabilities	874,994	293,035
Due to retirement systems	5,089,954	3,794,380
Due to other governments	100,517	457,137
Deferred revenues	7,662	4,390
Total Liabilities	<u>6,261,210</u>	<u>4,721,456</u>
Fund Balance:		
Nonspendable	21,892	21,250
Restricted	11,677,791	10,398,605
Assigned	3,937,707	4,525,204
Unassigned	4,446,795	4,375,650
Total Fund Balance	<u>20,084,185</u>	<u>19,320,709</u>
Total Liabilities and Fund Balance	<u>\$ 26,345,395</u>	<u>\$ 24,042,165</u>

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

GENERAL FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

YEARS ENDED JUNE 30, 2011 AND 2010

	2011				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
Revenues:					
Real property taxes	\$ 90,382,154	\$ 90,382,154	\$ 90,386,852	\$	\$ 4,698
Other tax items	7,751,351	7,751,351	7,667,463		(83,888)
Non-property taxes	675,000	675,000	764,290		89,290
Charges for services	441,691	441,691	685,401		243,710
Use of money and property	330,000	330,000	275,091		(54,909)
State aid	6,717,851	6,717,851	6,411,892		(305,959)
Federal aid	-	-	425,356		425,356
Miscellaneous	440,000	567,913	1,090,110		522,197
Total Revenues	106,738,047	106,865,960	107,706,455		840,495
Expenditures:					
Current:					
General support:					
Board of education	57,821	82,821	63,065	466	19,290
Central administration	378,985	378,985	345,024	325	33,636
Finance	1,143,207	1,170,415	1,095,991	19,964	54,460
Staff	732,010	705,879	584,620	68,008	53,251
Central services	9,227,954	10,274,669	9,307,773	952,588	14,308
Special items	1,720,500	1,666,581	1,611,920	-	54,661
Total General Support	13,260,477	14,279,350	13,008,393	1,041,351	229,606
Instruction:					
Instruction, administration and improvement	5,727,152	5,677,264	5,416,016	38,369	222,879
Teaching - Regular school	37,358,246	37,643,864	36,436,490	166,377	1,040,997
Programs for children with handicapping conditions	11,631,249	11,487,838	10,887,072	404,396	196,370
Teaching - Special schools	250,000	250,000	236,322	-	13,678
Instructional media	3,574,030	3,642,273	3,513,461	21,588	107,224
Pupil services	5,421,203	5,407,766	5,162,961	59,846	184,959
Total Instruction	63,961,880	64,109,005	61,652,322	690,576	1,766,107
Pupil transportation	6,134,132	6,134,651	5,858,352	1,600	274,699
Community services	18,977	18,977	18,977	-	-
Employee benefits	22,159,821	22,952,590	21,516,170	-	1,436,420
Debt service - Interest	175,000	253,333	162,797	-	90,536
Total Expenditures	105,710,287	107,747,906	102,217,011	1,733,527	3,797,368
Excess (Deficiency) of Revenues Over Expenditures	1,027,760	(881,946)	5,489,444	(1,733,527)	4,637,863
Other Financing Sources (Uses):					
Transfers in	223,301	223,301	223,301	-	-
Transfers out	(5,776,265)	(4,999,337)	(4,949,269)	-	50,068
Total Other Financing Uses	(5,552,964)	(4,776,036)	(4,725,968)	-	50,068
Net Change in Fund Balance	(4,525,204)	(5,657,982)	763,476	\$ (1,733,527)	\$ 4,687,931
Fund Balance - Beginning of Year	4,525,204	5,657,982	19,320,709		
Fund Balance - End of Year	\$ -	\$ -	\$ 20,084,185		

2010				
Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 88,992,362	\$ 88,992,362	\$ 88,993,755	\$	\$ 1,393
6,916,726	6,916,726	6,916,726		-
700,000	700,000	715,141		15,141
306,691	306,691	541,927		235,236
520,000	520,000	424,821		(95,179)
7,256,355	7,256,355	6,561,609		(694,746)
-	121,525	1,172,095		1,050,570
225,000	263,191	535,156		271,965
104,917,134	105,076,850	105,861,230		784,380
59,151	59,151	42,676	19	16,456
366,847	373,844	355,977	-	17,867
1,043,120	1,181,216	1,099,541	29,302	52,373
686,666	697,866	612,120	49,243	36,503
10,400,911	10,704,131	9,572,234	979,832	152,065
1,431,000	2,102,252	1,990,427	-	111,825
13,987,695	15,118,460	13,672,975	1,058,396	387,089
5,594,512	5,458,268	5,379,160	29,758	49,350
37,144,813	36,446,009	35,275,378	294,156	876,475
10,665,901	10,966,521	10,145,187	575,550	245,784
259,000	259,000	216,993	-	42,007
3,431,914	3,559,807	3,409,567	103,755	46,485
5,307,480	5,181,251	5,056,763	27,022	97,466
62,403,620	61,870,856	59,483,048	1,030,241	1,357,567
6,115,110	6,161,502	5,841,931	6,567	313,004
17,988	17,988	17,850	-	138
21,135,321	20,672,311	19,907,256	-	765,055
275,000	253,333	253,333	-	-
103,934,734	104,094,450	99,176,393	2,095,204	2,822,853
982,400	982,400	6,684,837	(2,095,204)	3,607,233
(5,420,193)	(5,420,193)	(5,392,763)	-	27,430
(5,420,193)	(5,420,193)	(5,392,763)	-	27,430
(4,437,793)	(4,437,793)	1,292,074	\$ (2,095,204)	\$ 3,634,663
4,437,793	4,437,793	18,028,635		
\$ -	\$ -	\$ 19,320,709		

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	\$ 90,382,154	\$ 90,382,154	\$ 90,386,852	\$ 4,698
OTHER TAX ITEMS				
School tax relief reimbursement	7,751,351	7,751,351	7,667,463	(83,888)
NON-PROPERTY TAXES				
Non-property tax distribution from County	675,000	675,000	764,290	89,290
CHARGES FOR SERVICES				
Continuing education tuition	250,000	250,000	268,681	18,681
Recreation	-	-	24,010	24,010
Cultural arts	-	-	137,243	137,243
Other student fees and charges	191,691	191,691	255,467	63,776
USE OF MONEY AND PROPERTY	441,691	441,691	685,401	243,710
Earnings on investments	280,000	280,000	201,112	(78,888)
Rental of real property	50,000	50,000	73,979	23,979
	330,000	330,000	275,091	(54,909)

STATE AID

Basic formula	5,655,132	5,655,132	4,847,784	(807,348)
BOCES	719,513	719,513	678,456	(41,057)
Textbooks	248,495	248,495	185,197	(63,298)
Lottery	-	-	268,724	268,724
Computer software	68,474	68,474	68,491	17
Library aid	26,237	26,237	26,243	6
Tuition aided handicapped	-	-	336,997	336,997

FEDERAL AID

	6,717,851	6,717,851	6,411,892	(305,959)
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Medical assistance ARRA stabilization

	-	-	6,338	6,338
	-	-	419,018	419,018
	-	-	425,356	425,356

MISCELLANEOUS

Refund of prior year's expenditures	90,000	90,000	468,129	378,129
Refund of BOCES aided services	-	-	116,446	116,446
Gifts and donations	-	127,913	127,913	-
Metropolitan commuter transportation mobility tax reimbursement	205,000	205,000	194,545	(10,455)
Other	145,000	145,000	183,077	38,077

TOTAL REVENUES

	440,000	567,913	1,090,110	522,197
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	106,738,047	106,865,960	107,706,455	840,495
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OTHER FINANCING SOURCES

Transfers in - Capital Projects Fund

	223,301	223,301	223,301	-
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TOTAL REVENUES AND OTHER FINANCING SOURCES

	\$ 106,961,348	\$ 107,089,261	\$ 107,929,756	\$ 840,495
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CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 17,519	\$ 42,519	\$ 33,336	\$ 434	\$ 8,749
District clerk	32,302	32,302	26,403	32	5,867
District meeting	8,000	8,000	3,326	-	4,674
Total Board of Education	57,821	82,821	63,065	466	19,290
CENTRAL ADMINISTRATION					
Chief school administrator	378,985	378,985	345,024	325	33,636
FINANCE					
Business administration	1,019,380	1,044,688	990,511	18,576	35,601
Accounting and auditing	123,827	125,727	105,480	1,388	18,859
Total Finance	1,143,207	1,170,415	1,095,991	19,964	54,460
STAFF					
Legal	286,377	258,746	190,617	67,968	161
Personnel	391,133	383,113	343,826	40	39,247
Public information and services	54,500	64,020	50,177	-	13,843
Total Staff	732,010	705,879	584,620	68,008	53,251

CENTRAL SERVICES

Operation of plant	6,420,985	6,791,067	6,718,992	57,767	14,308
Maintenance of plant	2,806,969	3,483,602	2,588,781	894,821	-
Total Central Services	9,227,954	10,274,669	9,307,773	952,588	14,308

SPECIAL ITEMS

Unallocated insurance	365,000	363,947	358,952	-	4,995
Judgments and claims	147,000	151,200	150,325	-	875
School association dues	25,500	25,500	24,029	-	1,471
Assessments on school property	70,000	70,000	66,853	-	3,147
Refunds of real property taxes	100,000	100,000	62,400	-	37,600
Metropolitan commuter transportation mobility tax	200,000	200,000	194,545	-	5,455
Administrative charge - BOCES	813,000	755,934	754,816	-	1,118
Total Special Items	1,720,500	1,666,581	1,611,920	-	54,661
Total General Support	13,260,477	14,279,350	13,008,393	1,041,351	229,606

INSTRUCTION

INSTRUCTION, ADMINISTRATION AND IMPROVEMENT

Curriculum development and supervision	743,515	733,688	610,644	3,717	119,327
Supervision - Regular school	4,932,147	4,892,086	4,755,299	34,652	102,135
Supervision - Special schools	30,490	30,490	30,490	-	-
Research, planning and evaluation	21,000	21,000	19,583	-	1,417

Total Instruction, Administration and Improvement

	5,727,152	5,677,264	5,416,016	38,369	222,879
TEACHING - REGULAR SCHOOL	37,358,246	37,643,864	36,436,490	166,377	1,040,997

PROGRAMS FOR CHILDREN WITH HANDICAPPING CONDITIONS

Programs for students with disabilities	11,631,249	11,487,838	10,887,072	404,396	196,370
TEACHING - SPECIAL SCHOOLS	250,000	250,000	236,322	-	13,678

(Continued)

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES COMPARED TO BUDGET (Continued)
YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
INSTRUCTIONAL MEDIA					
School library and audiovisual Computer assisted instruction	\$ 1,416,438 2,157,592	\$ 1,410,881 2,231,392	\$ 1,379,710 2,133,751	\$ 6,647 14,941	\$ 24,524 82,700
Total Instructional Media	3,574,030	3,642,273	3,513,461	21,588	107,224
PUPIL SERVICES					
Attendance - Regular school	39,592	39,592	36,541	-	3,051
Guidance - Regular school	2,094,304	2,071,906	1,993,594	6,241	72,071
Health services - Regular school	700,244	698,114	681,195	-	16,919
Psychological services - Regular school	1,152,888	1,152,818	1,135,720	-	17,098
Co-curricular activities - Regular school	393,695	393,412	350,124	500	42,788
Interscholastic athletics - Regular school	1,040,480	1,051,924	965,787	53,105	33,032
Total Pupil Services	5,421,203	5,407,766	5,162,961	59,846	184,959
Total Instruction	63,961,880	64,109,005	61,652,322	690,576	1,766,107
PUPIL TRANSPORTATION					
Contract and public carrier transportation	6,134,132	6,134,651	5,858,352	1,600	274,699
COMMUNITY SERVICES					
Census	18,977	18,977	18,977	-	-

EMPLOYEE BENEFITS

State retirement	223,300	1,278,078	1,107,925	-	170,153
Teachers' retirement	4,329,130	4,329,130	4,155,263	-	173,867
Social security	4,516,811	4,231,294	4,111,889	-	119,405
Hospital and medical insurance	11,551,250	11,502,523	10,581,734	-	920,789
Dental and vision insurance	101,100	109,300	104,077	-	5,223
Workers' compensation benefits	297,000	297,000	296,278	-	722
Unemployment benefits	120,000	140,000	140,000	-	-
Disability insurance	22,000	22,000	18,872	-	3,128
Life insurance	34,000	34,000	27,924	-	6,076
Union welfare benefits	825,180	825,180	788,466	-	36,714
Other benefits	140,050	184,085	183,742	-	343
Total Employee Benefits	22,159,821	22,952,590	21,516,170	-	1,436,420

DEBT SERVICE

Interest -					
Tax anticipation note	175,000	253,333	162,797	-	90,536
TOTAL EXPENDITURES	105,710,287	107,747,906	102,217,011	1,733,527	3,797,368

OTHER FINANCING USES

Transfers out:					
Special Aid Fund	140,000	140,000	140,000	-	-
Capital Projects Fund	100,000	100,000	100,000	-	-
Debt Service Fund	5,536,265	4,759,337	4,709,269	-	50,068
TOTAL OTHER FINANCING USES	5,776,265	4,999,337	4,949,269	-	50,068
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 111,486,552	\$ 112,747,243	\$ 107,166,280	\$ 1,733,527	\$ 3,847,436

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CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

SPECIAL AID FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Demand deposits	\$ 21,281	\$ 6,156
State and Federal Aid Receivable	<u>1,604,628</u>	<u>969,245</u>
Total Assets	<u>\$ 1,625,909</u>	<u>\$ 975,401</u>
<u>LIABILITIES</u>		
Due to Other Funds	\$ 1,625,867	\$ 973,384
Deferred Revenues	<u>42</u>	<u>2,017</u>
Total Liabilities	<u>\$ 1,625,909</u>	<u>\$ 975,401</u>

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

SPECIAL AID FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEARS ENDED JUNE 30, 2011 AND 2010

	2011			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State aid	\$ 660,000	\$ 660,000	\$ 660,000	\$ -
Federal aid	1,352,303	1,352,303	1,347,476	(4,827)
Total Revenues	2,012,303	2,012,303	2,007,476	(4,827)
Expenditures -				
Current -				
Instruction	2,152,303	2,152,303	2,147,476	4,827
Deficiency of Revenues Over Expenditures	(140,000)	(140,000)	(140,000)	-
Other Financing Sources -				
Transfers in	140,000	140,000	140,000	-
Net Change in Fund Balance	-	-	-	-
Fund Balance -				
Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -

2010			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 430,279	\$ 430,279	\$ 430,279	\$ -
1,378,276	1,378,276	1,299,428	(78,848)
1,808,555	1,808,555	1,729,707	(78,848)
1,943,555	1,943,555	1,837,277	106,278
(135,000)	(135,000)	(107,570)	27,430
135,000	135,000	107,570	(27,430)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Demand deposits	<u>\$ 153,382</u>	<u>\$ 288,830</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Retainages payable	\$ 47,245	\$ 51,595
Due to other funds	6	40
Deferred revenues	<u>80,521</u>	<u>-</u>
Total Liabilities	127,772	51,635
Fund Balance -		
Restricted	<u>25,610</u>	<u>237,195</u>
Total Liabilities and Fund Balance	<u>\$ 153,382</u>	<u>\$ 288,830</u>

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

CAPITAL PROJECTS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Revenues	\$ -	\$ -
Expenditures - Capital outlay	88,284	324,171
Deficiency of Revenues Over Expenditures	(88,284)	(324,171)
Other Financing Sources (Uses):		
Transfers in	100,000	117,378
Transfers out	(223,301)	-
Total Other Financing Sources (Uses)	(123,301)	117,378
Net Change in Fund Balance	(211,585)	(206,793)
Fund Balance - Beginning of Year	237,195	443,988
Fund Balance - End of Year	\$ 25,610	\$ 237,195

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

CAPITAL PROJECTS FUND

PROJECT-LENGTH SCHEDULE

INCEPTION OF PROJECT THROUGH JUNE 30, 2011

PROJECT	Authorization	Expenditures and Transfers to Date		
		Prior Years	Current Year	Total
Replacement of High School Bleachers	\$ 700,000	\$ 476,699	\$ 223,301	\$ 700,000
Improvements to School District Buildings	2,558,675	2,544,781	-	2,544,781
Westorcharde Elementary School Buildings	100,000	-	88,284	88,284
Totals	<u>\$ 3,358,675</u>	<u>\$ 3,021,480</u>	<u>\$ 311,585</u>	<u>\$ 3,333,065</u>

<u>Unexpended Balance</u>	<u>Method of Financing Transfers</u>	<u>Fund Balance at June 30, 2011</u>
\$ -	\$ 700,000	\$ -
13,894	2,558,675	13,894
<u>11,716</u>	<u>100,000</u>	<u>11,716</u>
<u>\$ 25,610</u>	<u>\$ 3,358,675</u>	<u>\$ 25,610</u>

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011
(With Comparative Totals for 2010)

	School Lunch	Special Purpose	Debt Service
<u>ASSETS</u>			
Cash:			
Demand deposits	\$ 326,310	\$ 44,211	\$ 367,428
Petty cash	600	-	-
	326,910	44,211	367,428
State and Federal Aid Receivable	7,254	-	-
Inventories	4,549	-	-
Total Assets	<u>\$ 338,713</u>	<u>\$ 44,211</u>	<u>\$ 367,428</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities -			
Deferred revenues	\$ 72,695	\$ -	\$ -
Fund Balances:			
Nonspendable	4,549	-	-
Restricted	-	44,211	-
Assigned	261,469	-	367,428
Total Fund Balances	266,018	44,211	367,428
Total Liabilities and Fund Balances	<u>\$ 338,713</u>	<u>\$ 44,211</u>	<u>\$ 367,428</u>

Total Non-Major
Governmental Funds

2011

2010

\$ 737,949	\$ 937,835
600	600

738,549	938,435
---------	---------

7,254	11,524
-------	--------

4,549	4,671
-------	-------

<u>\$ 750,352</u>	<u>\$ 954,630</u>
-------------------	-------------------

<u>\$ 72,695</u>	<u>\$ 69,386</u>
------------------	------------------

4,549	4,671
-------	-------

44,211	412,209
--------	---------

628,897	468,364
---------	---------

677,657	885,244
---------	---------

<u>\$ 750,352</u>	<u>\$ 954,630</u>
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CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2011

(With Comparative Totals for 2010)

	School Lunch	Special Purpose	Debt Service
Revenues:			
Use of money and property	\$ 872	\$ 28	\$ 781
State aid	14,779	-	-
Federal aid	121,836	-	-
Food sales	1,787,041	-	-
Miscellaneous	10,816	1,000	-
Total Revenues	1,935,344	1,028	781
Expenditures:			
Current:			
Cost of food sales	1,910,000	-	-
Other	-	2,379	-
Debt service:			
Refunding bonds issuance costs	-	-	301,095
Principal	-	-	3,475,000
Interest	-	-	1,466,630
Total Expenditures	1,910,000	2,379	5,242,725
Excess (Deficiency) of Revenues Over Expenditures	25,344	(1,351)	(5,241,944)
Other Financing Sources (Uses):			
Refunding bonds issued	-	-	43,070,000
Issuance premium	-	-	3,423,568
Payment to refunded bond escrow agent	-	-	(46,192,473)
Transfers in	-	-	4,709,269
Total Other Financing Sources	-	-	5,010,364
Net Change in Fund Balances	25,344	(1,351)	(231,580)
Fund Balances - Beginning of Year	240,674	45,562	599,008
Fund Balances - End of Year	\$ 266,018	\$ 44,211	\$ 367,428

Total Non-Major Governmental Funds	
2011	2010
\$ 1,681	\$ 20,052
14,779	15,635
121,836	123,564
1,787,041	1,759,835
11,816	-
<u>1,937,153</u>	<u>1,919,086</u>
1,910,000	1,907,226
2,379	2,300
301,095	-
3,475,000	2,920,000
<u>1,466,630</u>	<u>2,247,815</u>
<u>7,155,104</u>	<u>7,077,341</u>
<u>(5,217,951)</u>	<u>(5,158,255)</u>
43,070,000	-
3,423,568	-
(46,192,473)	-
<u>4,709,269</u>	<u>5,167,815</u>
<u>5,010,364</u>	<u>5,167,815</u>
(207,587)	9,560
<u>885,244</u>	<u>875,684</u>
<u>\$ 677,657</u>	<u>\$ 885,244</u>

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

SCHOOL LUNCH FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash:		
Demand deposits	\$ 326,310	\$ 293,265
Petty cash	600	600
	<u>326,910</u>	<u>293,865</u>
State and Federal Aid Receivable	7,254	11,524
Inventories	<u>4,549</u>	<u>4,671</u>
Total Assets	<u>\$ 338,713</u>	<u>\$ 310,060</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities - Deferred revenues	<u>\$ 72,695</u>	<u>\$ 69,386</u>
Fund Balance:		
Nonspendable	4,549	4,671
Assigned	<u>261,469</u>	<u>236,003</u>
Total Fund Balance	<u>266,018</u>	<u>240,674</u>
Total Liabilities and Fund Balance	<u>\$ 338,713</u>	<u>\$ 310,060</u>

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

SCHOOL LUNCH FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE

YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Revenues:		
Use of money and property	\$ 872	\$ 18,916
State aid	14,779	15,635
Federal aid	121,836	123,564
Food sales	1,787,041	1,759,835
Miscellaneous	10,816	-
Total Revenues	1,935,344	1,917,950
Expenditures -		
Current -		
Cost of food sales	1,910,000	1,907,226
Excess of Revenues Over Expenditures	25,344	10,724
Fund Balance - Beginning of Year	240,674	229,950
Fund Balance - End of Year	\$ 266,018	\$ 240,674

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

SPECIAL PURPOSE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Demand deposits	<u>\$ 44,211</u>	<u>\$ 45,562</u>
<u>FUND BALANCE</u>		
Restricted	<u>\$ 44,211</u>	<u>\$ 45,562</u>

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

SPECIAL PURPOSE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Revenues:		
Use of money and property	\$ 28	\$ 43
Miscellaneous	1,000	-
Total Revenues	1,028	43
Expenditures - Current - Other	2,379	2,300
Deficiency of Revenues Over Expenditures	(1,351)	(2,257)
Fund Balance - Beginning of Year	45,562	47,819
Fund Balance - End of Year	\$ 44,211	\$ 45,562

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CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

DEBT SERVICE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Demand Deposits	<u>\$ 367,428</u>	<u>\$ 599,008</u>
<u>FUND BALANCE</u>		
Restricted	\$ -	\$ 366,647
Assigned	<u>367,428</u>	<u>232,361</u>
Total Fund Balance	<u>\$ 367,428</u>	<u>\$ 599,008</u>

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

DEBT SERVICE FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEARS ENDED JUNE 30, 2011 AND 2010

	2011			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues - Use of money and property	\$ -	\$ -	\$ 781	\$ 781
Expenditures -				
Debt service:				
Refunding bonds issuance costs	-	301,095	301,095	-
Serial bonds:				
Principal	3,025,000	3,475,000	3,475,000	-
Interest	2,145,031	1,516,698	1,466,630	50,068
Total Expenditures	5,170,031	5,292,793	5,242,725	50,068
Deficiency of Revenues Over Expenditures	(5,170,031)	(5,292,793)	(5,241,944)	50,849
Other Financing Sources (Uses):				
Refunding bonds issued	-	43,070,000	43,070,000	-
Issuance premium	-	3,423,568	3,423,568	-
Payment to refunded bond escrow agent	-	(46,192,473)	(46,192,473)	-
Transfers in	4,937,670	4,759,337	4,709,269	(50,068)
Total Other Financing Sources	4,937,670	5,060,432	5,010,364	(50,068)
Net Change in Fund Balance	(232,361)	(232,361)	(231,580)	781
Fund Balance - Beginning of Year	232,361	232,361	599,008	366,647
Fund Balance - End of Year	\$ -	\$ -	\$ 367,428	\$ 367,428

2010			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 1,093	\$ 1,093
-	-	-	-
2,920,000	2,920,000	2,920,000	-
2,247,815	2,247,815	2,247,815	-
5,167,815	5,167,815	5,167,815	-
(5,167,815)	(5,167,815)	(5,166,722)	1,093
-	-	-	-
-	-	-	-
-	-	-	-
5,167,815	5,167,815	5,167,815	-
5,167,815	5,167,815	5,167,815	-
-	-	1,093	(1,093
-	-	597,915	597,915
\$ -	\$ -	\$ 599,008	\$ 599,008

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

GENERAL FUND

ANALYSIS OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
YEAR ENDED JUNE 30, 2011

Adopted Budget	\$ 109,391,348
Additions - Encumbrances	<u>2,095,204</u>
Original Budget	111,486,552
Budget Amendments	<u>1,260,691</u>
Final Budget	<u><u>\$ 112,747,243</u></u>

GENERAL FUND

ANALYSIS OF USE OF FUND BALANCE

AS OF THE BEGINNING OF THE YEAR ENDED JUNE 30, 2011

Assigned and Unassigned	
Fund Balance (less encumbrances) - Beginning of Year	\$ 6,805,650
Less - Appropriated Fund Balance Used for Levy of Taxes	<u>2,430,000</u>
Undesignated Fund Balance	<u><u>\$ 4,375,650</u></u>

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

GENERAL FUND

SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED

TO ST-3 DATA

YEAR ENDED JUNE 30, 2011

	<u>Account Code</u>	<u>Amount Per ST-3</u>	<u>Audited Amount</u>
REVENUES			
Real Property Taxes	A -1001	\$ 90,386,852	\$ 90,386,852
Non-Property Taxes	AT-1199	764,290	764,290
State Aid	AT-3999	6,411,892	6,411,892
Federal Aid	AT-4999	425,356	425,356
Total Revenues and Other Financing Sources	AT-5999	107,929,756	107,929,756
EXPENDITURES			
General Support	AT-1999	13,008,393	13,008,393
Pupil Transportation	AT-5599	5,858,352	5,858,352
Debt Service - Principal	AT-9798.6	-	-
Debt Service - Interest	AT-9798.7	162,797	162,797
Total Expenditures and Other Financing Uses	AT-9999	\$ 107,166,280	\$ 107,166,280

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

SCHEDULE OF INVESTED IN
CAPITAL ASSETS, NET OF RELATED DEBT
YEAR ENDED JUNE 30, 2011

Capital Assets, net		\$ 107,293,995
Less:		
Bonds Payable	(45,285,000)	
Unamortized Portion of Premium	<u>(3,339,630)</u>	(48,624,630)
Plus:		
Unamortized Portion of Issuance Costs	302,654	
Unamortized Portion of Loss	<u>2,214,902</u>	<u>2,517,556</u>
Invested in Capital Assets, net of Related Debt		<u>\$ 61,186,921</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Education of the
Chappaqua Central School District, New York:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chappaqua Central School District, New York ("School District") as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School District in a separate letter.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP

Harrison, New York

August 5, 2011



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the
Chappaqua Central School District, New York:

Compliance

We have audited the Chappaqua Central School District, New York's compliance of the Chappaqua Central School District, New York ("School District") with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2011. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an

opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP
Harrison, New York
August 5, 2011

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number (1)</u>	<u>Non ARRA (2)</u>	<u>ARRA (2)</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs - Passed through New York State Department of Education:				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	\$ 815	\$	\$ 815
National School Lunch Program (NSLP) - Commodities	10.555	43,123		43,123
National School Lunch Program (NSLP) - Cash	10.555	77,898		77,898
Total U.S. Department of Agriculture				<u>121,836</u>
<u>U.S. Department of Education</u>				
Indirect Programs - Passed through New York State Department of Education:				
<i>Special Education Cluster (IDEA):</i>				
Special Education - Grants to States (IDEA, Part B)	84.027	720,063		720,063
Special Education - Preschool Grants (IDEA Preschool)	84.173	17,683		17,683
Special Education - Grants to States (IDEA, Part B), Recovery Act (ARRA)	84.391		428,248	428,248
Special Education - Preschool Grants (IDEA Preschool), Recovery Act (ARRA)	84.392		19,890	19,890
				<u>1,185,884</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	9,883		9,883
Improving Teacher Quality State Grants	84.367	151,709		151,709
State Fiscal Stabilization Fund:				
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund) (ARRA)	84.394		419,018	419,018
Total U.S. Department of Education				<u>1,766,494</u>
Total		<u>\$ 1,021,174</u>	<u>\$ 867,156</u>	<u>\$ 1,888,330</u>

(1) Catalog of Federal Domestic Assistance number.

(2) American Recovery and Reinvestment Act

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. *General*

The accompanying Schedule of Expenditures of Federal Awards presents all activity of all federal award programs for the year ended June 30, 2011. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule.

2. *Basis of Accounting*

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

3. *Relationship to Financial Statements*

The School District's fund financial statements are presented using the modified accrual basis of accounting.

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

None

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting {*unqualified, qualified, adverse, or disclaimer*}:

Internal control over financial reporting:

- Material weakness(es) identified ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs {*unqualified, qualified, adverse, or disclaimer*}:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027

Special Education Cluster (IDEA):

84.173

Special Education - Grants to States (IDEA, Part B)

84.391

Special Education - Preschool Grants (IDEA Preschool)

Special Education - Grants to States (IDEA, Part B), Recovery Act (ARRA)

84.392

Special Education - Preschool Grants (IDEA Preschool), Recovery Act (ARRA)

84.394

State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund) (ARRA)

Dollar threshold used to distinguish between Type A and Type B programs:
Auditee qualified as low-risk auditee?

\$300,000
☒ Yes ☐ No

CHAPPAQUA CENTRAL SCHOOL DISTRICT, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)
YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

